

Message Text

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ACTION NEA-12

INFO OCT-01 ADP-00 EB-11 COME-00 AID-20 TRSE-00 OPIC-12

SS-15 NSC-10 CIAE-00 DODE-00 INR-10 NSAE-00 PA-03

RSC-01 USIA-12 PRS-01 INT-08 FPC-01 SCEM-02 XMB-07

IGA-02 RSR-01 /129 W

----- 103673

R 041155 Z APR 73

FM AMEMBASSY KABUL

TO SECSTATE WASHDC 2668

INFO AMEMBASSY ISLAMABAD

AMEMBASSY TEHRAN

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E. O. 11652: GDS

TAGS: EGEN, ETRN, EMIN, AF, PK

SUBJECT: PAKISTAN- AFGHAN ECONOMIC RELATIONS

1. SHER MOHAMMAD KHAN, CHIEF ECONOMIC SECTION, PAKISTAN EMBASSY KABUL, CALLED ON EMBECONOFF MARCH 31 TO FOLLOW UP ON INFORMAL CONVERSATION AT SOCIAL OCCASION THREE DAYS PREVIOUSLY. SHER KHAN SHOWED EMBECONOFF COPY AIDE MEMOIRE PRESENTED BY PAK EMBASSY

TO RGA MFA ACTING DEPUTY FOREIGN MINISTER WAHED KARIM ON MARCH 12. AIDE MEMOIRE REFERRED TO CONVERSATIONS THAT HAVE TAKEN PLACE BETWEEN RGA AND GOP OFFICIALS SINCE 1971 REGARDING POSSIBLE JOINT EXPLOITATION AFGHAN HAJIGAK IRON ORE IN CONNECTION WITH STEEL MILL TO BE BUILT SOMEWHERE IN NORTHWEST FRONTIER.

(COMMENT: EMBECONOFF HAD CONVERSATION THIS SAME SUBJECT WITH GARDESI, CHIEF OF SHAHAD DEVELOPMENT ORGANIZATION IN PESHAWAR, ON FEBRUARY 28, AT WHICH TIME GARDESI INDICATED HE IN CORRESPONDENCE WITH BOTH SWINDELL- DRESSLER AND KOPPERS IN CONNECTION WITH PROPOSAL FOR 400,000 TON CAPACITY STEEL MILL TO BE CONSTRUCTED IN CHARSSADAH UTILIZING HAJIGAK ORE. HE ALSO INDICATED THAT U. S. STEEL HAD ALSO EXPRESSED INTEREST IN PROJECT. GARDESI GAVE IMPRESSION OF WIDE- SPREAD KNOWLEDGE AFGHAN GOVERNMENT PERSONNEL AND PRIVATE SECTOR WHO WOULD BE INTERESTED AND
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CONCERNED IN SUCH PROJECT. END COMMENT). AIDE MEMOIRE INDICATED THAT GOP VERY MUCH INTERESTED IN MOVING FORWARD WITH DISCUSSIONS LOOKING TOWARD JOINT SUPPORT FOR FEASIBILITY STUDY FOR STEEL MILL IN FRONTIER, BASED UPON SPONGE IRON FROM HAJIGAK ORE SINCE FRONTIER HAD SUFFICIENT SUPPLIES OF ELECTRICITY AND NATURAL GAS TO PRODUCE SPONGE AND STEEL. AIDE MEMOIRE NOTED THAT GOP WOULD PAY FOR HAJIGAK ORE AND OTHER AFGHAN COSTS INVOLVED EITHER IN FORM OF STEEL PRODUCTS OR AFGHAN AND/ OR PAKISTANI CURRENCY.

2. SHER KHAN'S CALL AND EARLIER CONVERSATIONS HAVE INDICATED GROWING CONCERN ON PART GOP AS REFLECTED BY SHER KHAN THAT GOP SEEKING INCREASED FORMAL ECONOMIC RELATIONS. PAKISTAN HAS LONG BEEN MAJOR MARKET BOTH RECORDED AND UNRECORDED TRADE FOR AFGHAN PRODUCTS AS WELL AS IMPORTED MANUFACTURES AND SEMI- MANUFACTURES WHICH IN TURN SMUGGLED INTO PAKISTAN. IT EMB VIEW THAT EXPECTED GROWTH ECONOMIC RELATIONS BETWEEN AFGHANISTAN AND IRAN AS RESULT HELMAND WATERS AGREEMENT AND LIKELY EXPANSION JOINT DEVELOPMENTAL ACTIVITIES IN SOUTHWESTERN AFGHANISTAN AND DEVELOPMENT TRAFFIC VIA PROPOSED HIGHWAY TO BANDER ABBAS THROUGH FREE ZONE AT THAT PORT HAS CREATED NEW INTEREST IN PAKISTAN IN IMPROVING ECONOMIC ACTIVITIES WITH AFGHANISTAN. THIS JUDGMENT PARTLY SUPPORTED BY SHER KHAN ASKING EMB OFF VIEWS REGARDING POSSIBLE ESTABLISHMENT JOINT GOP- RGA ECONOMIC COMMITTEE WHICH WOULD MEET ANNUALLY OR MORE FREQUENTLY IN FASHION SIMILAR TO THAT WHICH EXISTS BETWEEN AFGHANISTAN AND INDIA. SHER KHAN REFERRED TO FREQUENT PUBLIC ANNOUNCEMENTS OF IMPORTANCE AFGHAN- PAK JOINT ECONOMIC CONCERNS IN THIS RESPECT. EMB ECONOFF POINTED OUT THAT IF GOP SERIOUSLY INTERESTED IN IMPROVING ECONOMIC RELATIONS WITH RGA FIRST STEP WOULD BE MEANINGFUL TRANSIT AGREEMENT WITH REGARD TO AFGHAN PRODUCTS MOVING TO INDIA, AND SECONDLY, IMPROVED CONDITIONS AND OPERATIONS FOR AFGHAN IMPORTS IN PARTICULAR, BUT EXPORTS AS WELL, THROUGH PORT OF KARACHI. SHER KHAN ACKNOWLEDGED THAT AFGHANS FREQUENTLY RAISE PROBLEM OF AVAILABLE SPACE AT PORT, ADMINISTRATIVE COSTS, AVAILABILITY RAILCARS, ETC. NEUMANN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 04 APR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973KABUL02227
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: KABUL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730431/aaaahlus.tel
Line Count: 105
Locator: TEXT ON-LINE
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 12 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12-Dec-2001 by kelleyw0>; APPROVED <28-Dec-2001 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> gwr 971119
Subject: PAKISTAN- AFGHAN ECONOMIC RELATIONS
TAGS: EGEN, EMIN, ETRN, AF, PK, EGEN, ETRN
To: ISLAMABAD
NEA
SECSTATE WASHDC
TEHRAN
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005